LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7383 | **NOTE PREPARED:** Jan 18, 2011
BILL NUMBER: HB 1369 | **BILL AMENDED:**

SUBJECT: Pay to Performance Program for School Administrators.

FIRST AUTHOR: Rep. Soliday | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill requires the Department of Education and school corporations to work together to set performance goals for improvement in: (1) standardized testing; (2) retention of students and graduation rates; (3) budgeting and fiscal performance; and (4) school administrator professional development.

The bill creates the Performance Incentive Grant to award school corporations that develop a State Board-approved Pay to Performance Program and that meet the performance goals established by the Department for school administrators. The bill allows for reduction in state tuition support to schools that do not meet the performance goals established by the Department for school administrators.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The State Board of Education can develop the performance goals for improvement within their current level of resources as part of their normal operations. They meet monthly to discuss education issues.

The bill would also require the State Board to adopt a model School Administrator Incentive Pay Program. The State Board's adoption of this program could also be done within existing resources.

The bill would create the Performance Incentive Grant as part of the tuition support distribution if the school corporation meets the performance goals established by school corporation with collaboration with the State Board. If they meet the established goals, the amount of the incentive grant is 0.25% of their basic tuition support distribution. If they do not meet their goals, then there is a reduction in tuition support of 0.25% of their basic tuition support distribution.

The distribution would be subject to the calendar year maximum distribution for tuition support. The impact on the state would depend on appropriations for the basic tuition support school formula for the calendar year. For CY 2011, the grant would have been a maximum of about $14.1 M in additional revenue if everyone qualified for the grant or a $14.1 M reduction in revenue if all schools did not meet the goals. The grant would be used to implement a school administrator pay to performance program. The actual impact would depend on the number of schools meeting their goals and if the tuition support distribution would have exceeded the calendar year maximum. If expenditures for tuition support absent this grant are below the calendar year cap, the additional grants would reduce reversions to the General Fund. However, if the grants increase distributions above the calendar year cap, all schools' distributions would be proportionally reduced to stay within the cap.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures.*

Explanation of Local Revenues:

State Agencies Affected: State Board of Education, Department of Education.

Local Agencies Affected: Local schools.

Information Sources: Department of Education databases.

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